

## Message Text

CONFIDENTIAL

PAGE 01 MANILA 17960 260243Z

65/15

ACTION EA-09

INFO OCT-01 EUR-12 ISO-00 FEA-01 ERDA-05 AID-05 CEA-01

CIAE-00 CIEP-01 COME-00 DODE-00 EB-07 FPC-01 H-02

INR-07 INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04

USIA-06 SAM-01 OES-03 SP-02 SS-15 STR-04 TRSE-00 /101 W

----- 034584

R 230920Z DEC 75

FM AMEMBASSY MANILA

TO SECSTATE WASHDC 647

INFO AMCONGEN HONG KONG

USLO PEKING

AMEMBASSY STOCKHOLM

CINCPAC

C O N F I D E N T I A L MANILA 17960

CINCPAC ALSO FOR POLAD

C O R R E C T E D COPY: OMITTED TEXT PARA 7

E.O. 11652: GDS

TAGS: ENRG, RP

SUBJECT: OIL EXPLORATION OPERATIONS IN DISPUTED SEA SHELF

1. GERONIMO VELASCO, PRESIDENT OF PHILIPPINE NATIONAL OIL COMPANY (PNOC) APPROACHED ME DEC 23 CONCERNING OIL EXPLORATION OPERATIONS IN DISPUTED SEA SHELF AREAS WEST OF PALAWAN. VELASCO SAID THAT PNOC HAS CONCLUDED CONTRACT WITH SWEDISH FIRM, PART OF SALIEN GROUP, TO CONDUCT SUCH OPERATIONS IN REED BANK AREA, WHICH IS CLAIMED BY PHILIPPINES, CHINA AND VIET-NAM. THIS GROUP, IN TURN, HAS SOUGHT TO ASSOCIATE EITHER GULF OIL OR OCCIDENTAL PETROLEUM WITH IT IN ENTERPRISE.

2. ACCORDING TO VELASCO, SWEDES HAVE BEEN TOLD BY GULF THAT U.S. DEPARTMENT OF STATE HAS "DISCOURAGED" PARTICIPATION  
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BY U.S. FIRMS IN THIS AREA BECAUSE OF ITS DISPUTED STATUS.

VELASCO ASKED IF I COULD CONFIRM THIS STATEMENT.

3. I SAID I WAS UNAWARE OF ANY CONVERSATIONS BETWEEN STATE AND GULF ON THIS SUBJECT. HOWEVER, I POINTED OUT THAT MOST U.S. OIL COMPANIES SEEK GUIDANCE FROM USG ON MATTERS OF THIS SORT. IT WAS POSSIBLE, THEREFORE, THAT STATE HAD DISCUSSED DISPUTED NATURE OF AREA WITH GULF AND HAD INFORMED THE COMPANY THAT USG COULD OFFER NO RPT NO ASSURANCES OF PROTECTION IF GULF JOINED IN OPERATIONS THERE.

4. VELASCO SAID PHILIPPINES HAD INFORMED CHINESE "IN PEKING" OF INTENTIONS TO OPERATE IN AREA AND CHINESE "SAID NOTHING." I SAID I WAS INTERESTED IN THIS FACT, BUT ASKED WHETHER SUBJECT HAD ALSO BEEN DISCUSSED WITH HANOI. VELASCO SHOOK HIS HEAD NEGATIVELY.

5. I THEN EXPRESSED SOME SURPRISE THAT SWEDISH GROUP SEEMED PREPARED TO RISK OPERATION IN THIS AREA AND ASKED WHETHER SWEDES HAD HELD ANY DISCUSSIONS WITH PEKING AND HANOI. VELASCO SAID HE DIDN'T KNOW.

6. CONVERSATION CONCLUDED WITH MY REITERATION OF FACT THAT U.S. CONSIDERED REED BANK TO BE DISPUTED TERRITORY AND THAT STATE DEPARTMENT WOULD DOUBTLESS POINT OUT THIS FACT, AND ITS IMPLICATIONS, TO ANY U.S. OIL COMPANY WHICH APPROACHED IT FOR GUIDANCE ABOUT OPERATIONS IN THAT AREA. VELASCO DID NOT PUSH SUBJECT FURTHER.

7. ACTION REQUESTED: PLEASE REPORT ANY CONVERSATIONS DEPARTMENT MAY HAVE HAD WITH U.S. OIL COMPANIES ON THIS SPECIFIC SUBJECT. PLEASE ALSO ADVISE ANY INFORMATION AVAILABLE TO WASHINGTON OR STOCKHOLM CONCERNING SWEDISH INTENTIONS TO OPERATE IN THIS AREA.

UNQUOTE  
SULLIVAN

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NNN

## Message Attributes

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**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** PETROLEUM, EXPLORATORY DRILLING, JOINT VENTURES, CONTRACTS  
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**To:** STATE  
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